Distr.
GENERAL

IDB.19/13
28 April 1998

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Nineteenth session
Vienna, 18-20 May 1998
Item 11 of the provisional agenda

TIMELY PAYMENT OF ASSESSED CONTRIBUTIONS

Financial situation of UNIDO

Report by the Director-General

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V.98-53005 (E) (a:\1998\pmo)

Distr.: 6 May 1998

Introduction

1. At the time of the seventh session of the General Conference, the Organization faced a very serious financial crisis as a result of significant unpaid assessed contributions, low cash balances and the imminent introduction of the staff separation programme mandated by Member States to achieve budget reductions of 20 per cent in 1998-1999. Decisive action was required to ensure that the Organization remained financially viable.

2. Subsequent to the General Conference, the newly-appointed Director-General immediately introduced stringent cash control measures to reduce operating expenditures and limit the costs of the staff separation programme. These measures, together with the positive response by some Member States to the call for early payment of assessed contributions during the first quarter of 1998, have ensured that the current regular budget and working capital cash balances of the Organization are at relatively satisfactory levels.

3. The continued support of Member States through the timely payment of assessed contributions in full will permit the Organization to implement its programmes in line with the Business Plan and programme and budgets, 1998-1999.

I. REGULAR BUDGET ASSESSED CONTRIBUTIONS

4. The status of assessed contributions to the regular budget as at 31 March 1998 is shown in the annex to the present document. Total outstanding contributions amounted to $128,897,584 (at an exchange rate of US$ 1 = AS 12.70), which comprises unpaid 1998 assessed contributions of $32,170,451 and arrears for the period 1986 to 1997 of $96,727,133, including the arrears of the United States of America of $60.25 million.

5. As at 31 March 1998, the collection rate for the 1998 assessed contributions was 50.96 per cent. This compares favourably with, and indeed significantly surpasses, the collection rates for the same periods in 1997 and 1996 of 36.15 and 41.64 per cent, respectively. A total of 22 Member States, including two least developed countries, have made full payment of their 1998 assessed contributions. In addition, nine Member States have made partial payments of their 1998 contributions.

6. In accordance with Article 5.2 of the Constitution and financial regulation 5.5(b), as of 31 March 1998, the voting rights of 68 Member States were suspended owing to arrears in payment of assessed contributions, as shown in the annex to the present document. Included in that group are eight members of the Board and five members of the Programme and Budget Committee.

7. In view of the delays in payment and non-payment of assessed contributions, which constitute a serious hindrance to the implementation of mandated activities, the General Conference in decision GC.7/Dec.10 requested the open-ended discussion group on timely payment of assessed contributions to present concrete recommendations to the Board at its nineteenth session. The Conference also requested the group to examine various options for the recovery of unpaid assessed contributions of the United States of America and to make concrete recommendations to the Board (GC.7/Res.2). The report of the open-ended discussion group is contained in document IDB.19/12.

8. An updated status report as at 15 May 1998 will be issued as a conference room paper.

II. STATUS OF THE WORKING CAPITAL FUND

9. The approved level of the Working Capital Fund was set at $6,610,000 by the General Conference in decision GC.7/Dec.12. Unpaid advances to the Fund as at 31 March 1998 amounted to $51,281.

10. The Working Capital Fund is a vital source of cash to meet the Organization's financial commitments when there is insufficient income from assessed contributions due to delays in payment by Member States. This is a particularly important source of funding given that the Organization has no authority to borrow funds from external sources.

11. As a result of the action taken since the General Conference, the Director-General was able, in February 1998, to replenish the Fund to its established level. For the first time since November 1995, the Fund balance is matched by cash resources.

III. CASH FLOW

12. Member States may recall that during the last quarter of 1997, the partial, delayed or non-payment of assessed contributions by some Member States had placed the Organization in a very serious and unprecedented cash crisis. The available cash was barely sufficient to meet the Organization's requirements for one month, and the depleted Working Capital Fund made the situation even more critical. A last-minute payment by a major Member State, however, averted the crisis, but did not solve the problems of a possible future cash-flow crisis.

13. As referred to in the introduction, the Director-General, on assuming office, took immediate action to resolve the financial crisis facing the Organization,

particularly through the introduction of cost control measures to reduce financial outflows.

14. Measures taken by the Director-General, as described in the administrative instructions issued during the first quarter of 1998, resulted in lower-than-budgeted cash outflows on all budgetary expenditure items. The outstanding obligations for 1997 have been subject to close scrutiny with a view to ensuring that, wherever possible, financial commitments made in 1997 were reduced or cancelled. As a further measure to preserve cash resources, the distribution of the cash surplus for the biennium 1992-1993 of $1.2 million was deferred.

15. The combination of these measures, together with the positive trend in the payment of assessed contributions by Member States, has led to a situation where the regular budget and Working Capital Fund cash balances as at 31 March 1998 amount to $27.1 million. This compares favourably with $18 million at the same time in 1997.

16. The cash flow under the UNIDO general fund (regular budget and Working Capital Fund) for the first quarter of 1998 is presented in table 1.

Table 1

Cash flow—first quarter, 1998
(In millions of dollars)

Opening balance—1 January 1998			13.5
Receipts			
Assessed contributions			
- 1997 or prior years	1.9		
- 1998	33.0	34.9	
Other income		1.8	36.7
Disbursements			
Regular budget		11.0	
Separation indemnity		8.3	
1997 obligations		4.9	
Movement in receivables/payables		(1.1)	23.1
Cash balance—31 March 1998			27.1

IV. FINANCING OF THE STAFF SEPARATION PROGRAMME

17. In authorizing budgetary funding for the staff separation programme, the General Conference, in its decision GC.7/Dec.17, decided to suspend financial regulations 4.2(b) and 4.2(c) with respect to the unutilized balance of appropriations for the 1994-1995 biennium, in the amount of $13.9 million. The Conference also urged Member States to provide additional cash resources required to finance the staff separation programme: (a) by voluntary contributions from Member States on the understanding that contributions for 1998 for the budget and staff separation reserve would not exceed 1997 assessed contribution levels; (b) by advances to the Organization, on the understanding that those advances would be repaid as and when the arrears of assessed contributions are paid, or deducted from future contributions.

18. During the period December 1997 to March 1998, collections against 1994-1995 assessed contributions amounted to $2,869,740. The response by Member States to the appeal by the General Conference to provide additional cash resources for the staff separation programme, however, has been disappointing. As at 31 March 1998, one Member State made a loan of $149,000, which must be repaid by 30 September 1998. Two other Member States advanced part of their 1999 assessed contributions, amounting to $119,000.

19. Information on the staff separation programme is contained in document IDB.19/9. The cost of the voluntary staff separation programme is estimated to be $10.8 million to be paid during 1998. As at 31 March 1998, a total amount of $8.3 million was disbursed/committed for this purpose. Table 2 shows the sources of financing the voluntary staff separation.

Table 2

Sources of financing voluntary separation
(In millions of dollars at US$ 1 = AS 12.90)

(i)	Income from payment of the 1994-1995 outstanding contributions (since December 1997)	2.9
(ii)	Previous balance of staff separation indemnity reserve (1996)	1.9
(iii)	Cash surplus from the 1992-1993	1.2
(iv)	Uncommitted cash balance carried over from 1997	2.3
	Total	**8.3**

V. REGULAR BUDGET EXPENDITURE

20. The cost control measures introduced, subsequent to the General Conference, to resolve the cash crisis and place the Organization on a sound financial footing have delayed the financial implementation of the programme and budgets, 1998-1999. The delays in the commitment of budgetary resources also resulted from the inevitable disruption to programme implementation of staff separations and organizational restructuring, which took place during the first quarter of 1998.

21. Table 3 shows expenditure (disbursements and obligations) for the period 1 January to 31 March 1998, as compared to the approved budget (gross) for 1998. Comparable information is given for implementation in the first year of the 1996-1997 biennium.

22. The rate of financial implementation is expected to accelerate as assessed contributions are received and programme activities (particularly those related to the Regular Programme of Technical Cooperation and the Industrial Development Decade for Africa) come on stream.

VI. ACTION REQUIRED OF THE BOARD

23. The Board may wish to take note of the information contained in the present document.

Table 3

Regular budget expenditure
(In millions of dollars)

	1998	1996 (contingency plan)
Regular budget (gross)—total year	79.1	92.1
Expenditure (disbursements/obligations)—first quarter	13.2	26.9
Percentage implementation—first quarter	16.7%	29.3%

Annex

STATUS OF ASSESSED CONTRIBUTIONS TO THE UNIDO REGULAR BUDGET

As at 31 March 1998

	Outstanding contributions (In equiv. US dollars) (at RoE: 12.70)[1]	Year(s) outstanding	Status of voting rights[2]
Afghanistan	56,963	1992(P)-1998	*NO*
Albania	65,624	1992(P)-1998	*NO*
Algeria	413,861	1996(P)-1998	
Angola	5,279	1998(P)	
Argentina	1,804,687	1995(P)-1998	*NO*
Armenia	750,373	1992-1998	*NO*
Austria	412,896	1998(P)	
Azerbaijan	1,111,074	1993-1998	*NO*
Bahamas	36,074	1997(P)-1998	
Bahrain	-		
Bangladesh	5,276	1998(P)	
Barbados	6,547	1998(P)	
Belarus	1,418,652	1995(P)-1998	*NO*
Belgium	-		
Belize	6,416	1998	
Benin	5,782	1998	
Bhutan	24,087	1995(P)-1998	*NO*
Bolivia	67,895	1991(P)-1998	*NO*
Bosnia and Herzegovina	202,157	1992-1998	*NO*
Botswana	6,415	1998	
Brazil	6,965,039	1995(P)-1998	*NO*
Bulgaria	71,479	1998	
Burkina Faso	80,241	1990(P)-1998	*NO*
Burundi	50,150	1993(P)-1998	*NO*
Cambodia	29,858	1995(P)-1998	*NO*
Cameroon	2,546	1998	
Cape Verde	74,348	1991(P)-1998	*NO*
Central African Republic	90,323	1989(P)-1998	*NO*
Chad	74,635	1991-1998	*NO*
Chile	159,738	1996(P)-1998	
China	688,750	1998	
Colombia	64,012	1998	
Comoros	110,327	1986-1998	*NO*
Congo	84,991	1989(P)-1998	*NO*
Costa Rica	73,081	1991(P)-1998	*NO*
Côte d'Ivoire	6,548	1998	
Croatia	450,401	1995(P)-1998	*NO*
Cuba	263,376	1995(P)-1998	*NO*
Cyprus	25,916	1998	
Czech Republic	-		
Democratic People's Republic of Korea	345,189	1992(P)-1998	*NO*
Democratic Republic of the Congo	84,155	1989(P)-1998	*NO*
Denmark	-		
Djibouti	74,369	1991(P)-1998	*NO*
Dominica	63,604	1992(P)-1998	*NO*
Dominican Republic	242,685	1986-1998	*NO*

	Outstanding contributions (In equiv. US dollars) (at RoE: 12.70)[1]	Year(s) outstanding	Status of voting rights[2]
Ecuador	100,395	1995(P)-1998	*NO*
Egypt	71,019	1998	
El Salvador	98,747	1988-1998	*NO*
Equatorial Guinea	110,327	1986-1998	*NO*
Eritrea	21,424	1996(P)-1998	
Ethiopia	6,406	1998	
Fiji	12,415	1997(P)-1998	
Finland	569,839	1998	
France	5,881,383	1998	
Gabon	44,257	1995(P)-1998	*NO*
Gambia	66,761	1991(P)-1998	*NO*
Georgia	1,289,467	1992-1998	*NO*
Germany	4,188,759	1998(P)	
Ghana	13,366	1997(P)-1998	
Greece	-		
Grenada	85,709	1989(P)-1998	*NO*
Guatemala	174,239	1990(P)-1998	*NO*
Guinea	43,074	1994(P)-1998	*NO*
Guinea-Bissau	95,048	1988(P)-1998	*NO*
Guyana	5,294	1998	
Haiti	6,227	1998	
Honduras	67,771	1991(P)-1998	*NO*
Hungary	-		
India	135,430	1998(P)	
Indonesia	129,422	1998	
Iran (Islamic Republic of)	1,285,760	1996(P)-1998	
Iraq	1,129,621	1990(P)-1998	*NO*
Ireland	-		
Israel	-		
Italy	4,826,239	1998	
Jamaica	6,547	1998(P)	
Japan	-		
Jordan	6,424	1998	
Kazakhstan	327,738	1997-1998	
Kenya	23,597	1995(P)-1998	*NO*
Kuwait	174,307	1998	
Kyrgyzstan	294,085	1993-1998	*NO*
Lao People's Democratic Republic	-		
Lebanon	6,548	1998	
Lesotho	6,548	1998	
Liberia	83,131	1990-1998	*NO*
Libyan Arab Jamahiriya	791,137	1995(P)-1998	*NO*
Lithuania	597,293	1994(P)-1998	*NO*
Luxembourg	64,668	1998	
Madagascar	13,999	1997(P)-1998	
Malawi	20,448	1996(P)-1998	
Malaysia	131,212	1998	
Maldives	22,075	1996-1998	*NO*
Mali	43,550	1994(P)-1998	*NO*
Malta	-		
Mauritania	92,552	1988(P)-1998	*NO*
Mauritius	6,548	1998	

	Outstanding contributions (In equiv. US dollars) (at RoE: 12.70)[1]	Year(s) outstanding	Status of voting rights[2]
Mexico	677,799	1998	
Mongolia	-		
Morocco	25,790	1998	
Mozambique	-		
Myanmar	6,548	1998	
Namibia	6,412	1998	
Nepal	18,869	1996(P)-1998	
Netherlands	-		
New Zealand	-		
Nicaragua	110,327	1986-1998	*NO*
Niger	74,379	1991(P)-1998	*NO*
Nigeria	216,378	1997(P)-1998	
Norway	1,215	1998(P)	
Oman	38,867	1998	
Pakistan	52,376	1998	
Panama	20,575	1996(P)-1998	
Papua New Guinea	14,331	1997-1998	
Paraguay	6,548	1998	
Peru	167,422	1996(P)-1998	
Philippines	114,598	1997-1998	
Poland	-		
Portugal	262,426	1998	
Qatar	83,942	1997(P)-1998	
Republic of Korea	760,768	1998	
Republic of Moldova	684,068	1993(P)-1998	*NO*
Romania	137,487	1998(P)	
Russian Federation	9,392,260	1996(P)-1998	
Rwanda	54,242	1993(P)-1998	*NO*
Saint Kitts and Nevis	32,648	1995(P)-1998	*NO*
Saint Lucia	1,781	1998(P)	
Saint Vincent and the Grenadines	89,851	1989(P)-1998	*NO*
Sao Tome and Principe	110,327	1986-1998	*NO*
Saudi Arabia	2,513,279	1995(P)-1998	*NO*
Senegal	385	1998	
Seychelles	62,235	1992(P)-1998	*NO*
Sierra Leone	75,746	1990(P)-1998	*NO*
Slovakia	-		
Slovenia	143,613	1997-1998	
Somalia	110,327	1986-1998	*NO*
Spain	-		
Sri Lanka	5,342	1998	
Sudan	6,329	1998	
Suriname	21,683	1996(P)-1998	
Swaziland	-		
Sweden	1,125,463	1998	
Switzerland	-		
Syrian Arab Republic	59,442	1997(P)-1998	
Tajikistan	232,421	1993-1998	*NO*
Thailand	116,385	1998	
The former Yugoslav Republic of Macedonia	45,690	1995(P)-1998	*NO*
Togo	55,590	1993(P)-1998	*NO*
Tonga	-		

	Outstanding contributions (In equiv. US dollars) (at RoE: 12.70)[1]	Year(s) outstanding	Status of voting rights[2]
Trinidad and Tobago	61,057	1996(P)-1998	
Tunisia	28,473	1997(P)-1998	
Turkey	354,196	1998	
Turkmenistan	140,375	1995-1998	*NO*
Uganda	38,167	1994(P)-1998	*NO*
Ukraine	7,501,518	1994(P)-1998	*NO*
United Arab Emirates	415,148	1996(P)-1998	
United Kingdom of Great Britain and and Northern Ireland	-		
United Republic of Tanzania	58,172	1992(P)-1998	*NO*
Uruguay	96,116	1996(P)-1998	
Uzbekistan	411,988	1996(P)-1998	
Vanuatu	60,817	1992(P)-1998	*NO*
Venezuela	143,295	1998	
Viet Nam	14,331	1997-1998	
Yemen	79,737	1991(P)-1998	*NO*
Yugoslavia[3]	1,718,604	1990(P)-1998	*NO*
Zambia	35,742	1994(P)-1998	*NO*
Zimbabwe	6,548	1998	
Subtotal (168 Member States)	68,647,073		
United States of America[4]	60,250,511	1994(P)-1996	
Total	128,897,584		

Summary of outstanding contributions by year:

	Dollars	Schillings	Total dollar equivalent (at RoE:12.70)
1986	45,081		45,081
1987	47,561		47,561
1988	74,584		74,584
1989	102,572		102,572
1990	499,191		499,191
1991	760,201		760,201
1992	1,022,527		1,022,527
1993	1,472,822		1,472,822
1994	10,062,748		10,062,748
1995	37,103,349		37,103,349
1996	3,876,338	366,703,565	32,750,630
1997	1,513,316	143,161,482	12,785,867
1998	5,726,258	335,841,139	32,170,451
Total	62,306,548	845,706,186	128,897,584

Notes:

(P) Partial payment

1. RoE—Rate of Exchange: According to financial rule 110.7, all UNIDO transactions, incurrencies other than United States dollars, shall be recorded at the official rate of exchange established by the United Nations between the dollar and other currencies.

2. The voting rights of 68 Member States have been suspended.

3. In accordance with General Conference resolution GC/S.1/Res.1, the Federal Republic of Yugoslavia (Serbia and Montenegro) cannot continue automatically the membership of the former Socialist Federal Republic of Yugoslavia in UNIDO.

4. Member State of UNIDO until 31 December 1996.